

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ISO-00 L-03 IO-13 NSC-05 AGRE-00
AID-05 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00
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FM AMEMBASSY ABIDJAN
TO DEPT OF TREASURY
INFO SECSTATE WASHDC 3105
AMEMBASSY BAMAKO

UNCLAS SECTION 1 OF 2 ABIDJAN 4073

DEPT PASS NAC AGENCIES

E.O. 11652: N/A
TAGS: AFDB, AFDF, EFIN,EAID
SUBJECT: PROPOSED AFDF LOAN TO FINACE MALI-SUD
INTEGRATED RURAL DEVELOPMENT PROJECT, MALI

1. SUMMARY: AFDF MANAGEMENT PROPOSES 5.4 MILLION FUND UNIT OF ACCOUNT(FUA EQUAL TO US \$1.11) LOAN TO THE REPUBLIC OF MALI TO FINANCE A PORTION OF THE MALI-SUD INTEGRATED RURAL DEVELOPMENT PROJECT. TOTAL COST OF PROJECT EQUAL TO 38.5 MILLION FUA TO BE CO-FINANCED BY AFDF, IDA, ARAB DEVELOPMENT BANK(BADEA), CAISSE CENTRALE DE COOPERATION ECONOMIQUE(CCCE) FONDS D'AIDE ET DE COOPERATION(FAD), AND GOM.

2. AFDF DOC BD/77/34 AND ATTACHMENTS DESCRIBING LOAN POUCHED ADDRESSEES APRIL 21. BOARD CONSIDERATION SCHEDULED FOR APRIL 29.

3. AFDF MANAGEMENT PROPOSES 5.4 MILLION FUA LOAN TO GOVT OF MALI FOR INTEGRATED RURAL DEVELOPMENT PROJECT. PROJECT COMPONENTS INCLUDE A) INCREASED COTTON, RICE, AND KENAF PLANTING AREAS OF APPROXIMATELY 32,000 HA. B) TECHNICAL
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ASSISTANCE TO INDIVIDUAL FARMERS AND ESTABLISHMENT OF AGRI-CULTURAL RESEARCH STATIONS TO CONCENTRATE ON SEED PRODUCTION, PLANTING TECHNIQUES, FERTILIZER APPLICATION, AND ANIMAL HUSBANDRY. COMPONENT INCLUDES FIVE YEARS OF EXPATRIATE TECHNICAL ASSISTANCE. C) REHABILITATION OF AN EXISTING GINNERY (10,000 TON CAPACITY) AND CONSTRUCTION OF A NEW 20,000 TON GINNERY. D) CONSTRUCTION OF NEW RICE MILL WITH PROCESSING CAPACITY OF 10,000 TONS OF

PADDY RICE ANNUALLY. MILL WOULD CONSIST OF TWO SHELLING UNITS OF WHICH ONE WOULD BE EQUIPPED WITH PARBOILING EQUIPMENT. MILL WOULD ALSO BE PROVIDED WITH POWER GENERATOR , 5,000 TON STORAGE FACILITY, AND SEVEN TRUCKS FOR TRANSPORT OF PADDY AND MILLED RICE. E) STAFF HOUSING, RETAIL COMMERCIAL FACILITIES, OFFICE FACILITIES, AND VEHICULAR GARAGES. F) ESTABLISHMENT AND SUPPORT OF FOUR ROAD MAINTENANCE TEAMS TO IMPROVE EXISTING AGRICULTURAL TRACKS. EACH TEAM WOULD BE EQUIPPED WITH A TRUCK AND BASIC TOOLS. G) PROVISION OF 131 VEHICLES TO BE USED FOR PROJECT OPERATIONS. VEHICLES INCLUDE 23 PICKUPS AND LIGHT VEHICLES, 53 FIVE-TO FIFTEEN-TON TRUCKS, 13 TRACTORS, 35 TRAILERS, 6 DUMP TRUCKS, AND ONE FRONT LOADER. H) FARM CREDIT COMPONENT TO ASSIST INDIVIDUAL FARMER PURCHASE OF AGRICULTURAL INPUTS. K) LIVESTOCK PROGRAM THROUGH WHICH FARMERS WOULD BE INSTRUCTED IN TECHNIQUES OF ANIMAL HUSBANDRY. SALARIES AND OPERATING EXPENSES OF 22 STAFF INCLUDED. J) PROVISION OF MEDICAL SUPPLIES TO RURAL DISPENSARIES AND MEDICAL TRAINING. LIGHT MOTOR BIKES WOULD ALSO BE PROVIDED TO 159 RURAL DISPENSARIES.

4. TOTAL COST OF PROJECT EQUAL TO APPROX 38.5 MILLION FUA. FOREX COMPONENT EQUALS 26.9 MILLION FUA, OR 70 PERCENT OF PROJECT COSTS. AFDF PARTICIPATION WILL FINANCE 13 PERCENT OF OVERALL PROJECT COST. AFDF WILL BE USED TO FINANCE RICE MILL, EXTENSION SERVICES, AND CREDIT SCHEME TO INDIVIDUAL FARMERS. AFDF PARTICIPATION WILL MEET 3.8 MILLION FUA IN FOREX COSTS. IDA PARTICIPATION EQUAL TO 13.9 MILLION FUA OF WHICH 8.4 IS IN FOREX. FAC PARTICIPATION EQUAL TO 2.1 MILLION FUA OF WHICH 1.26 MILLION FUA IS IN FOREX; CCCE EQUAL TO 2.72 MILLION FUA OF WHICH 1.83 MILLION FUA IS IN FOREX; BADEA EQUAL TO 4.6 UNCLASSIFIED

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MILLION FUA OF WHICH 3.7 MILLION FUA IS IN FOREX. GOM AND FARMER PARTICIPATION 9.5 MILLION FUA OF WHICH 7.9 MILLION FUA IS IN FOREX. COST ESTIMATES OF AFDF SPONSORED PORTION INCLUDE 22 PERCENT ALLOWANCE FOR PRICE ESCALATION AND 19 PERCENT ALLOWANCE FOR PHYSICAL CONTINGENCIES. PROPOSED TERMS OF AFDF LOAN ARE 50 YEARS AMORTIZATION INCLUDING TEN YEARS GRACE, 0.75 PERCENT SERVICE CHARGE. GOVT TO BE BORROWER. AFDF LOAN TO BE ON-LENT EXECUTING AGENCY COMPAGNIE MALLIENNE POUR LE DEVELOPPMENT DES TEXTILES(CMDT). TERMS TO BE 20 YEARS AMORTIZATION INCLUDING 4 YEARS GRACE, 4 PERCENT INTEREST.

5. CMDT WAS CREATED IN 1974 TO DEVELOP COTTON PRODUCTION IN THE MALI-SUD AREA. THE GOM OWNS 60 PERCENT OF THE COMPANY'S STOCK WITH THE REMAINING 40 PERCENT BEING HELD BY THE COMPAGNIE FRANCAISE POUR LE DEVELOPPEMENT DES TEXTILES(CFDT). PRIOR TO 1974 CFDT ACTED ALONE IN DEVELOPING COTTON IN THE MALI-SUD AREA. CFDT IS CURRENTLY UNDER 5 YEAR CONTRACT TO THE GOM TO PROVIDE CMDT WITH EXPATRIATE TECHNICAL STAFF. CMDT OPERATES UNDER SUPERVISION OF THE MINISTRY OF RURAL DEVELOPMENT. ITS

TEN MEMBER BOARD OF DIRECTORS INCLUDES SIX GOVERNMENT REPRESENTATIVES AND FOUR CFDT REPRESENTATIVES. CMDT IS ORGANIZED INTO FOUR DEPARTMENTS WHICH TOGETHER HAVE BROAD RESPONSIBILITIES FOR AGRICULTURE IN THE REGION; A) FINANCIAL SERVICES DEPARTMENT IS RESPONSIBLE FOR PROJECT FISCAL AFFAIRS, FINANCING SCHEMES FOR CROP MARKETING, PROCUREMENT OF EQUIPMENT AND AGRICULTURAL INPUTS, AND PAYROLL ADMINISTRATION. B) INDUSTRIAL SERVICES DEPARTMENT IS RESPONSIBLE FOR COTTON GINNING, RICE MILLING, AND VEHICLE OPERATION AND REPAIR. C) TRAINING SERVICES DEPARTMENT TRAINS PROJECT STAFF, INDIVIDUAL YOUNG FARMERS AND BLACKSMITHS. THE DEPARTMENT OPERATES FUNCTIONAL LITERACY AND HEALTH EDUCATION PROGRAMS AND IS ALSO RESPONSIBLE FOR MAINTAINING FARMERS COOPERATIVES. D) EXTENSION SERVICES DEPARTMENT PLANS AND IMPLEMENTS CROP DEVELOPMENT PROGRAMS. THERE WERE 979 EXTENSION AGENTS IN THE FIELD AT THE END OF 1975.

NOTE BY OC/T: NOT PASSED NAC AGENCIES.
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ACTION EB-08

INFO OCT-01 AF-10 ISO-00 L-03 IO-13 NSC-05 AID-05
CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 USIA-15
XMB-04 OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 AGRE-00
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R 221545Z APR 77
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6. CMDT OPERATES ON FIVE PERCENT COMMISSIONS FROM SALE OF AGRICULTURAL COMMODITIES IT PROCESSES AND MARKETS. BALANCE SHEET AT END OF OPERATING YEAR SEPT 1975 SHOWED ASSETS OF US \$16.66 MILLION OF WHICH US \$18,000 WAS IN FIXED ASSETS WITH

US \$10.3 MILLION IN INVENTORY; US \$6 MILLION IN ACCOUNTS RECEIVABLE; AND OTHER CURRENT ASSETS OF US \$.45 MILLION. THE FIRM SHOWED A PROFIT OF US \$390,000 FOR THE OPERATING YEAR. CREDIT REGULATIONS ALLOW EIGHT PERCENT OF PROFITS TO BE PAID IN SHAREHOLDERS' DIVIDENDS, WITH REMAINDER TO BE REINVESTED IN FIRM. EQUITY PARTICIPATION IN FIRM AMOUNTS TO US \$400 THOUSAND. GOVT AND CREDIT HAVE AGREED TO INCREASE SHARE CAPITAL TO US \$930 THOUSAND. INFLATED ACCOUNTS RECEIVABLE SITUATION TO BE ALLEVIATED BY REVISED OPERATING POLICY. EXCESS INVENTORY RESULTED FROM DELAY IN FINALIZATION OF MARKETING TRANSACTION. AS RESULT OF INFLATED CURRENT ASSETS SITUATION, FIRM HAS INCURRED US \$15.6 MILLION IN SHORT TERM LIABILITIES.

7. THE PROJECT AREA, MALI-SUD, LIES BETWEEN LATITUDE 14 DEGREES N. AND THE BORDERS WITH UPPER VOLTA AND THE IVORY COAST. IT HAS AN AREA OF 96,000 HA REPRESENTING 8 PERCENT OF MALI'S TOTAL AREA. THIRTY-THREE PERCENT OF THE REGION IS UNDER RAIN FED CULTIVATION. IT HAS A POPULATION OF 1.5 MILLION, REPRESENTING 25 PERCENT OF UNCLASSIFIED

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THE TOTAL POPULATION OF MALI. NINETY-SIX PERCENT OF THE POPULATION IS IN THE RURAL AREAS. IN RURAL AREAS, AN AVERAGE FAMILY OF ELEVEN NORMALLY CULTIVATES 6 HA OF WHICH 1.5 HA IS NORMALLY COTTON, THE REMAINDER BEING CEREALS. HEALTH CONDITIONS IN THE REGION ARE POOR. ENDEMIC DISEASES SUCH AS ONCHOCERCIASIS, MALARIA, LEPROSY, TUBERCULOSIS, AND OTHERS ARE PRESENT. HEALTH SERVICES ARE PARTICULARLY LACKING IN RURAL AREAS.

8. THE PROJECT IS EXPECTED TO RESULT IN INCREASED ANNUAL PRODUCTION BY 1981 EQUAL TO 43 THOUSAND TONS COTTON, 2.1 THOUSAND TONS KENAF, 7.3 THOUSAND TONS MAIZE, AND 6.6 THOUSAND TONS PADDY RICE. CURRENTLY, EIGHT-FIVE PERCENT OF COTTON PRODUCTION IS SOLD FOR EXPORT. FOREIGN EXCHANGE EARNINGS ARE EXPECTED TO INCREASE BY AN AMOUNT EQUAL TO FUA 10.8 MILLION ANNUALLY BY 1980. INCREMENTAL PRODUCTION OF OTHER COMMODITIES WOULD BE USED TO MEET DOMESTIC REQUIREMENTS.

9. THE PROJECT IS ESTIMATED TO BENEFIT 91,000 FARM FAMILIES IN THE FORM OF HIGHER INCOMES. ECONOMIC RETURN ON PROJECT ESTIMATED AT 45 PERCENT OVER 20 YEARS. EACH ONE PERCENTAGE POINT VARIATION IN ESTIMATED COSTS OR BENEFITS IS EXPECTED TO REFLECT A VARIANCE IN RATE OF RETURN OF APPROXIMATELY 2.5 PERCENT. THE PROJECT IS NOT EXPECTED TO HAVE ANY ADVERSE ENVIRONMENTAL IMPACT. STEARNS

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Message Attributes

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